



*STATE OF NEW JERSEY*

*Board of Public Utilities*

*Two Gateway Center  
Newark, NJ 07102  
www.bpu.state.nj.us*

TELECOMMUNICATIONS

IN THE MATTER OF THE JOINT PETITION)  
OF LIGHTYEAR COMMUNICATIONS, INC.,)  
LIGHTYEAR TELECOMMUNICATIONS, )  
LLC AND LIGHTYEAR NETWORK )  
SOLUTIONS, LLC FOR APPROVAL )  
OF TRANSFER OF ASSETS, )  
AUTHORIZATION TO PROVIDE )  
TELECOMMUNICATIONS SERVICES AND )  
RELATED FINANCING TRANSACTION )

ORDER OF APPROVAL

DOCKET NO. TM03121032

(SERVICE LIST ATTACHED)

BY THE BOARD:

On December 31, 2003, Lightyear Communications, Inc. (Lightyear), Lightyear Telecommunications, LLC (LLC) along with Lightyear Network Solutions, LLC (New Lightyear, and collectively with Lightyear and LLC, Petitioners), filed a petition with the Board of Public Utilities (Board) requesting the approval of a series of transactions (Transactions) that would permit Petitioners to transfer substantially all of the assets of Lightyear and LLC to New Lightyear. Lightyear and LLC are currently operating under the protection of the United States Bankruptcy Code in a case pending before the United States Bankruptcy Court for the Western District of Kentucky. Upon approval, New Lightyear will continue to offer services on the same terms, rates and conditions that they currently provide such services in the state.

BACKGROUND

Lightyear, a Kentucky corporation with offices located in Louisville, Kentucky, is a wholly owned subsidiary of Lightyear Holdings Inc., a privately held corporation. In New Jersey, Lightyear was authorized to provide facilities-based competitive interexchange and local exchange services pursuant to authority granted by Order of the Board on March 6, 2002. See Order, I/M/O the Petition for An Order Authorizing Lightyear Communications, Inc. to Provide Local Exchange Telecommunications Services Throughout New Jersey, Docket No. TE01050338. According to the petition, Lightyear has approximately two local customers and 2,648 long distance customers. LLC is a privately held limited liability company with offices located in Louisville, Kentucky and is also a wholly owned subsidiary of Lightyear Holdings, Inc. In New Jersey, LLC is authorized to provide resold services and according to the petition has zero customers in New Jersey.

According to the petition, New Lightyear is a newly created limited liability company formed under the existing laws of the State of Kentucky with offices located in Louisville, Kentucky. New Lightyear is a wholly owned subsidiary of LY Acquisition, LLC (Acquisition), a Kentucky limited liability

company also located in Louisville, Kentucky. Petitioners state that New Lightyear possesses the qualifications necessary to provide competitive telecommunications services throughout New Jersey.

According to the petition, the sale of assets has been approved pursuant to an auction conducted under the supervision of the U.S. Bankruptcy Court for the Western District of Kentucky on October 28, 2003. As per the terms of the Asset Purchase Agreement executed by Acquisition and the Lightyear Companies, Acquisition agreed to an estimated purchase price of \$33.5 million through a combination of cash payment and debt assumption of the debtors to satisfy the creditors of the Lightyear Companies. At closing, the assets of the Lightyear Companies will be transferred to Acquisition and then immediately transferred to New Lightyear.

The Petitioners indicate that grant of this petition will serve the public interest by promoting competition among telecommunications providers in New Jersey. By enabling New Lightyear to remove the financial and operational factors that constrain the Lightyear Companies, Petitioner believes granting this petition will allow New Lightyear to compete effectively in the New Jersey market and continue to offer alternative high-quality, competitively priced telecommunications service to New Jersey customers. Petitioners indicate that since New Lightyear holds the managerial, technical, and financial qualifications to provide telecommunication services, it should be permitted to acquire the assets of the Lightyear companies, and further, the members of the management team responsible for the day to day operations of the Lightyear companies will remain employed by New Lightyear. Petitioners also indicate that existing customers will realize significant public interest benefits from the proposed Transactions by allowing the Lightyear Companies to avoid liquidation and ensure that existing customers will continue to receive service from New Lightyear without disruption, interruption or customer migration. Customers are being notified by letter of the transaction and given the opportunity to switch to another service provider. The proposed transaction will not affect the rates, terms or conditions under which the Lightyear customers provide service in New Jersey. Petitioners have indicated that Lightyear has no employees in New Jersey.

#### FINDINGS AND CONCLUSIONS

After a thorough review of the petition and all related documents, the Board is convinced that, with regard to the provision of service, there will be no negative impact on service to New Jersey customers. All services will continue to be provided to the Petitioners' New Jersey customers without interruption and pursuant to the same tariffs, contracts, rates, terms and conditions in existence prior to the proposed Transactions.

Accordingly, after careful review of this matter, the Board FINDS that the proposed Transactions will have no negative impact on competition, the rates of current customers, or on employees. The Board also FINDS that the proposed transaction will have no negative impact on the provision of safe, adequate and proper service. Therefore, the Board, after investigation, having considered the record and exhibits submitted in this proceeding, FINDS that the action proposed to be taken by Petitioner is in accordance with law and in the public interest. The Board HEREBY APPROVES the request by Petitioners for this transaction and for the transfer of authority. Petitioners shall notify the Board of the closing of the proposed Transactions, promptly upon consummation of the transfer.

DATED: 3/03/04

BOARD OF PUBLIC UTILITIES  
BY:

(signed)  
JEANNE M. FOX  
PRESIDENT

(signed)  
FREDERICK F. BUTLER  
COMMISSIONER

(signed)  
CAROL J. MURPHY  
COMMISSIONER

(signed)  
CONNIE O. HUGHES  
COMMISSIONER

(signed)  
JACK ALTER  
COMMISSIONER

ATTEST:

(signed)  
KRISTI IZZO  
SECRETARY